

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair  
Commissioner  
Commissioner  
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Commissioner

In the Matter of a Request by Northern  
Minnesota Utilities and Peoples Natural Gas for  
Approval of a Change in Demand Related  
Costs on the Northern Pipeline System

ISSUE DATE: July 17, 2002

DOCKET NO. G-007/M-01-1631  
G-011/M-01-1633

ORDER APPROVING COMPANIES'  
REQUESTS AND REQUIRING  
ADDITIONAL FILINGS

**PROCEDURAL HISTORY**

On October 31, 2002, Peoples Natural Gas Company (Peoples) and Northern Minnesota Utilities (NMU), both operating divisions of UtiliCorp United Inc. (collectively, the Companies) filed requests for a change in producer demand costs and Northern Natural Gas (NNG) storage costs. The Companies did not request any change to the current level of demand entitlement.

On January 31, 2002, the Department of Commerce (DOC) filed comments recommending that contingent upon the Companies filing certain design-day information, and the DOC's reviewing and determining that the entitlement level was reasonable, that the Commission approve the changes in demand costs.

On March 15, 2002, the Companies filed reply comments arguing that the need for a design day review for 2001-02 was moot. However, the Companies agreed to conduct a design-day study with respect to the 2002-03 winter season and submit that study with a revised demand entitlement filing, if appropriate, for the 2002-03 heating season.

On April 25, 2002, the DOC filed comments in response to the Companies' reply comments recommending that the Companies file their design day studies for 2002-03 and answer other questions addressed by the DOC.

On May 3, 2002, the Companies filed additional reply comments agreeing to file a design-day study for 2002-03, including supporting schedules.

This matter came before the Commission on June 6, 2002.

## **FINDINGS AND CONCLUSIONS**

### **I. Peoples' and NMU's Request**

NMU requested approval of a change in demand related costs (Producer Demand cost, Northern Natural Gas' storage cost, Upstream Demand cost, and Northern Natural Gas' TF12 Base and Variable split) and associated cost recovery effective with NMU's November 1, 2001 Purchased Gas Adjustment for its consolidated pipeline system.

Peoples requested approval of a change in the same purchaser demand related costs and associated cost recovery effective with People's November 1, 2001 Purchased Gas Adjustment for its Northern Natural Gas Company's pipeline system.

The Companies were not requesting a change to the current level of demand entitlement as no new level of demand entitlement was purchased.

### **II. Positions of the Parties**

#### **A. DOC**

Initially, the DOC recommended that the Commission deny approval of the Companies' petitions until the Companies provided certain design-day information and the DOC had the opportunity to review and comment upon it. Contingent upon the DOC receiving and reviewing this material, the DOC recommended that the Commission accept the following:

- the use of the approved allocation factor of 34.93 percent for allocating demand costs to Peoples' Northern system customers;
- the use of the approved allocation factor of 4.63 percent for allocating demand costs to NMU's customers;
- the proposed change in demand-related costs;
- the reallocation of TF12 B and V<sup>1</sup> entitlements;
- the associated cost recovery effective with the Company's Northern system November 1, 2001 Purchased Gas Adjustment.

After receiving most of the design-day information that the DOC requested, the DOC had remaining questions on whether the customer count was appropriately forecasted for the upcoming heating season, questions on the months used in determining the heat load factor, and the relationship of the annual weather normalized volumes to the peak day needs. However, the DOC stated it no longer challenged the NNG system entitlement level for the 2001-2002 heating season.

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<sup>1</sup> NNG's pipeline tariff requires an annual allocation of the twelve-month firm transportation service (TF12) entitlement between TF12 Base (TF12B) and TF12Variable (TF12V) based on actual throughput from May-September of the current year.

The DOC noted that the Companies proposed to conduct a design-day study for the 2002-03 winter season.<sup>2</sup> The DOC recommended that the Commission require that, within 30 days of the Commission Order in this matter, the Companies provide all their design-day calculations for Zone EF and B<sup>3</sup> for the 2002-03 heating season as well as provide all their entitlement schedules and calculations. This would give the DOC time to review the design-day study before the window of time to purchase additional capacity for the heating season was closed. The DOC also recommended that the Companies be required to address the remaining questions discussed above.

## **B. Peoples and NMU**

The Companies did not file a design-day study with their filings requesting a change in demand costs because no change in demand entitlement was requested.

In response to the DOC's concern that the existing level of demand entitlement could be inadequate if a design day (the coldest day in a 20 year period) were to occur, the Companies argued that the concern about the 2001-02 heating season was moot because that heating season was nearly over and the risk of having to meet the demand of a design day was passed. However, in response to the DOC's concerns with respect to the 2002-03 heating season, the Companies agreed to conduct a design day study and based on the results of that study would, if appropriate, seek a change in the existing Commission approved demand entitlement.

The Companies argued that the earliest they could begin a design-day study would be June 1. Since it takes approximately 30 days to do such a study, the earliest the Companies could have such a study completed would be July 1. The Companies voluntarily agreed to provide such a study by that date, or within 30 days of the Commission's order, whichever occurs later, subject to change if there was inadequate data to finalize the study at that time.

## **III. Commission Action**

Minnesota Statutes require a utility to furnish safe, adequate, efficient and reasonable service.<sup>4</sup> The Commission recognizes that in order for Peoples and NMU to do so, they must be able to deliver gas to their customers when needed, especially on the coldest day of the year. The Commission recognizes and agrees with the concerns noted by the DOC regarding the Companies' design-day study and corresponding demand entitlement. For this reason, the Commission will

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<sup>2</sup> The purpose of a design-day study is to determine the maximum amount of capacity needed on the coldest day so that firm customers are provided reliable service.

<sup>3</sup> All of NMU's customers are located in Minnesota in Zone EF. The majority of People's Minnesota customers are located in Zones EF and B.

<sup>4</sup> Minn. Stat. § 216B.04.

require the Companies to provide all of their design-day calculations and entitlement schedules for the 2002-03 heating season and address the questions raised by the DOC in its April 25, 2002 comments. In addition, the Commission will require the Companies to provide proof that their methodology provides more valid results than a statistical method such as regression analysis.

Further, the Commission will accept the DOC's recommendation and approve the Companies' requests for changes in producer demand related costs and NNG storage costs. The Commission agrees with the DOC that the requests are reasonable and should be approved.

#### **IV. Trade Secret Designation**

##### **A. The Issue**

The DOC and Commission staff have expressed concern that the Companies are designating whole pages and whole responses to information requests as trade secret when only one or two numbers may qualify as trade secret.

When large amounts of a filing are unnecessarily designated as trade secret, it complicates Commission discussions and consideration of issues and may make a document of no use to an outside party that may want to intervene in the docket.

##### **B. Commission Action**

The Commission will require the Companies to specify the specific words, phrases or numbers on a page that are claimed to be trade secret. This will enable the Companies to adequately protect trade secret information without unnecessarily burdening the transmission of information that is not trade secret and is in compliance with Minnesota Rules<sup>5</sup> and the Minnesota Data Practices Act, Minn. Stat., Chapter 13.<sup>6</sup>

### **ORDER**

1. The Commission approves the Companies' request:
  - a. to use the approved allocation factor from the 2000 filing for allocating demand costs to the Companies' customers;
  - b. for the proposed change in demand-related costs;

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<sup>5</sup> Minn. Rules part 7829.0500.

<sup>6</sup> See the August 18, 1999 *Revised Procedures for Handling Trade Secret and Privileged Data* issued by the Commission under Minn. Stat. § 13.03, subd. 2.

- c. for the reallocation of TF12 Base and Variable entitlements;
  - d. to allow the associated cost recovery effective with the Companies' November 1, 2001 Purchased Gas Adjustment.
- 2. The Companies shall provide, within 30 days of the Commission's Order (or July 8, 2002, whichever comes first), all their design day calculations and entitlement schedules for both Zone EF and B for the 2002-03 heating season.
- 3. The Companies shall fully address the Department's remaining questions regarding the design day calculation as discussed in the DOC's April 25, 2002 comments, and provide the justification and rationale for using the average of the highest and lowest heat load factors, the base load and heat load methodology, and the use of Peoples' system wide data rather than Minnesota specific data. In addition, the Companies should demonstrate and provide proof that its methodology provides more valid results than a statistical method such as regression analysis.
- 4. The Companies shall specify the specific words, phrases or numbers on a page that are claimed to be trade secret. The Companies are advised to take notice of the Commission Rules on Trade Secret and Proprietary Information and the August 18, 1999 Revised Procedures for Handling Trade Secret and Privileged Data.
- 5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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